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SUBJECT: GHANA: ECONOMIC HIGHLIGHTS - JUNE 2004

1. (U) This report covers noteworthy economic events and activities in Ghana for the period May 17 - June 25, 2004. The issues covered are:

- Westel/GoG Negotiations Nearing End
- Maryland State Trade Delegation
- Ghana Meeting on ECOWAS Common External Tariff
- Free Enterprise Marathon
- U.S. Inaugurates Economic Training for Media
- HIPC Debt Relief from France

Westel/GoG Negotiations Nearing End

2. (SBU) Bill Taylor, the General Manager of Westel, a subsidiary of Western Wireless International (WWI), told Post that he will make one last try to reach an accord with the GoG that will allow Westel to stay in Ghana and avoid international arbitration. The stumbling block is the GoG's recent action to enforce the July 2002 decision to charge all mobile operators in Ghana for mobile spectrum, even though Westel contends it purchased spectrum as part of its original contract. Westel now faces the prospect of paying USD 27.5 million for mobile frequencies, on top of the USD 25 million fine it has tentatively agreed to pay over 7 years (Note: the fine was for failure to meet operating requirements). Therefore, Westel might have to pay USD 52.5 million just to stay in country.

3. (SBU) WWI has been negotiating the sale of its Westel shares with several potential buyers, including South African mobile operator MTN. However, MTN's main interest is mobile operations in Ghana, so the new spectrum fee is a deal killer. Taylor will meet a last time with GoG officials to try to work out a deal. He stated that if he cannot convince the GoG to waive or drastically lower the spectrum fee, WWI's plan to sell out of the market would be frustrated and its only remaining option would be to shut down and take the GoG to international arbitration.

Maryland State Trade Delegation

4. (U) Maryland's Lt. Governor Michael Steele led more than 40 public and private sector participants on a trade delegation to Ghana on June 17 and 18. The focus of the mission was to tap into commercial opportunities for Maryland companies created by continuing market liberalization efforts in Ghana and AGOA. The group met with President Kufuor, the Minister of Roads and Transport, and the Minister of Trade and Industry. They also met with Ghana Airways officials, as Maryland is home to the troubled Accra-BWI route. The Embassy offered a country team briefing, and the Speaker of the Parliament hosted a working lunch for the Lt. Governor, the Ambassador and some delegates.

Ghana Meeting on ECOWAS Common External Tariff

5. (SBU) As part of the development of the ECOWAS Customs Union, slated for 2008, Ghana recently completed a report on the likely impact of an ECOWAS Common External Tariff (CET) on Ghana. This report is also the forum to identify any temporary exemptions Ghana will request from the CET, such as preexisting bilateral free trade agreements or special export zones. On June 22, The Ministry of Finance hosted a stakeholder workshop, attended by 20 government officials and one industry representative, to discuss the report, which was prepared by CEPA (the local Center for Policy Analysis).

6. (SBU) CEPA's data focused narrowly on existing tariff exceptions and the impact of the CET on government revenue, without offering an assessment of the CET's effect on industry or key products or how Ghana's tariffs compared to the rest of the West African Economic and Monetary Union (WAEMU). The inadequacies of the report generated significant complaints and offered little opportunity for discussion. Ghana's report to ECOWAS is due June 30, so it is unlikely the GoG will make substantial improvements to the CEPA document before then. The GoG is also unlikely to put forth substantive requests for exemptions from the CET, which would have to be phased out by 2007 anyway. Despite frustrations voiced at the meeting, Ghana's stakeholders are moving ahead with the process of adopting the ECOWAS CET and the workshop was a step toward that end.

Free Enterprise Marathon

17. (U) Ambassador Yates hosted Jack Shewmaker (former President and COO of WalMart) and Robert Rich (President of Rich's Products) at a June 19 reception to support Students In Free Enterprise (SIFE). SIFE is a university volunteer program on 1800 campuses in 40 countries that gives students the opportunity to learn, practice and teach the principles of the free enterprise system. The Ambassador attended the Ghana National SIFE Championship on June 20 where the students presented projects that improved the lives of poor communities. The winning school, University of Cape Coast, presented four projects that included teaching savings habits in a poor community, establishing a small food processing business, teaching bookkeeping to market women, and establishing a scholarship fund for poor primary school students. The winners will compete in September at the SIFE 2004 World Cup in Barcelona.

U.S. Inaugurates Economic Training for Media

18. (U) USAID/Ghana and PAS Accra collaborated in a ceremony to mark the beginning of a USD 100,000 journalism and training program on economic and financial reporting. USAID contributed the funding and worked with PAS to identify the Ghana,s Journalists, Association as the cooperating institution. They designed a nine-month program for 100 journalists in Accra and in two other regional capitals that will include both classroom teaching and 10-day internships with financial institutions.

19. (U) The program also coincided with Ghana,s selection as one of the countries eligible for Millennium Challenge Account (MCA) funding. When U.S. Treasury Under Secretary John Taylor spoke in Ghana recently about developing economies and MCA, Ghanaian leaders remarked on the need for the media to effectively explain complex poverty reduction strategies to the Ghanaian population. The editor of Ghana,s most popular daily applauded the US-sponsored training in an op-ed and noted the US Government,s ongoing support for the media in Ghana.

HIPC Debt Relief from France

10. (U) France announced it would cancel 116 million Euros (USD 140 million) of Ghana,s debt (under HIPC) during a 2-day visit by France,s Minister delegate for Cooperation, Development and Francophony in June. Ghana and France also signed an agreement for a 1.5 million Euro (USD 1.82 million) grant to fund feasibility studies on potential priority projects in Ghana,s urban and rural development. The grant, provided through France,s development agency, AFD, would also be used to finance sector specific studies that contribute to institutional reforms. Since 1985, AFD has provided 400 million Euros to finance some 70 projects under a series of bilateral cooperation frameworks with Ghana.
Yates